Terminations . . .

Continued from page 3

The PBGC had expressed serious concerns about the methods' legality, and whether an adequate "cushion" of assets would be left in any successor plan prior to the adoption of the guidelines.

Since the guidelines were issued, the agency monitors each such termination closely, Mr. Walker said, and in some cases has negotiated that a cushion be left.

"We still review potential abuses," he said.

The PBGC figures also reveal the number of plans terminated has sloped upward since the policy was unveiled.

From January through May of 1984, there was an average of 25.4 plans terminated per month involving total monthly reversions of $259.9 million.

In the following eight months, from June 1984, through January 1985, those figures increased to an average of 29.9 terminations per month with aggregate reversions of $313.4 million per month.

However, those figures are not seasonally adjusted.

There traditionally is a huge, year-end increase in terminations for tax, accounting and cost reasons.

For example, if the plan year coincides with the calendar year, terminating the plan by Dec. 31 enables the employer to avoid meeting another round of annual contribution, vesting and accrual requirements, and to skip paying PBGC premiums.

In December, the number of termination filings soared to 73 from 39 in November and 30 in October. The level settled back to 40 filings in January, which still was higher than average levels in the teens during mid-1984.

In addition, some factors might have caused the PBGC to overstate the percentage of participants covered by successor plans.

The figures comparing the type of successor plan chosen only include cases where the employer indicated the type of successor plan.

Companies are not required to say whether they will set up a replacement plan, so some successor plans might have been left out.

On the other hand, the figures underestimate the percentage of participants covered by successor defined benefit plans.

The PBGC failed to include active employees in the increasingly popular spinoff/terminations in those calculations because, in these cases, plans for current employees are not terminated.

Adding the active participants in spinoff/terminations awaiting regulatory approval on Jan. 31 could boost the percentage of participants in successor defined benefit plans by 10 percentage points, Mr. Walker admitted.

Those inconsistencies aside, Mr. Walker said, the figures clearly show a trend toward vastly increased defined benefit coverage for plan participants. ■

Public funds . . .

Continued from page 3

ment Advisors said the Milwaukee County account was all in U.S. Treasury securities with an average maturity of less than five years.

Prudential-Bache's public retirement fund index, consisting of 88 portfolios in 29 retirement systems, had a return of 5.7% for the year.

Over the three-year and five-year periods, however, public funds emphasizing stocks were able to take advantage of favorable markets.

The top three-year performer was the $28.4 million portion of the Dallas Employees Retirement System funds invested in the American Mutual Fund. With assets entirely in equities, the funds had a 19.4% annualized return.

The second best performer was another portion of the Dallas system's funds, $28.2 million managed by Investment Company of America, Los Angeles. Also entirely in equities, the portfolio returned 19.3% on an annualized basis. The system has total assets of $257.2 million.

Third for the three-year period was the portion of the Baltimore Fire and Policemen's Retirement System managed by Delaware Investment Advisers, Philadelphia. The $58 million account, 86% in equities and 14% in fixed income, had an annualized return of 19.2%.

During the three-year period, the S&P 500 had an annualized return of 16.4%.

The Baltimore retirement systems and Delaware Investment Advisers had the biggest success in the five-year period.

The top performer was the $37.4 million portion of the Baltimore Employees' Retirement System managed by Delaware. It had an annualized return of 17.7% and was 89% in equities and 11% in fixed income. The system has assets of $349 million.

Second was the $58 million portfolio managed by Delaware for the Baltimore Fire and Police Retirement System. It returned 17.6% on an annualized basis, being 86% in equities and 14% in fixed income. ■

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C2710-2

Union muscle bolstered by pension plans

By Joel Chernoff

WASHINGTON — Harnessing the power of pension funds, unions are jolting corporations that resist organized labor's objectives and companies that support or service anti-union firms.

With newfound sophistication, unions increasingly are appealing to sympathetic institutional shareholders and entreating money managers to vote their shares in labor's favor, as well as putting pressure on financial institutions that have labor difficulties or that help finance recalcitrant employers.

All told, these efforts may add a powerful new weapon to labor's arsenal of ways of forcing firms to come to the bargaining table.

In the past few years, unions have targeted such corporations as Phelps Dodge Corp., New York; Equitable Life Assurance Society of the United States, New York; Manufacturers Hanover Corp., New York; Aetna Life and Casualty Co., Hartford, Conn.; and Capital Cities Communications Inc., New York. Use of such tactics is growing, union experts say.

"The genie's out of the bottle," said Randy Barber, director of the Center for Economic Organizing, Washington, which consults with unions on pensions and other issues.

Labor now is armed with a growing data base of stock holdings of the nation's largest multiemployer and public plans, and is backed by a new commitment by the AFL-CIO to explore more innovative approaches in getting labor's message across.

With this support, unions can use a variety of tools:

• Pressure investment managers with union accounts to vote with

Continued on page 36

Late news

Interco challenge

ST. LOUIS — Interco Inc. has challenged the legality of the Reagan administration's asset reversion guidelines and their application to the spinoff/termination of the company's $11.5 million P.N. Hirsch & Co. pension plan.

Interco is trying to recover $3.5 million from the plan. The PBGC refused to recognize the proposed

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Pensions & Investment Age

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UT to boost staff, eyes internal fund

By Rose Darby

HARTFORD, Conn. — As part of a new focus on world market asset allocation, United Technologies Corp.'s $4 billion pension fund will add two more pension investment professionals to its staff, and could begin some in-house management by next year, a UT executive said.

Beverly Lannquist Hamilton, vice president-pension investment, said the changes result from an ongoing study prompted by the reorganization of the fund and its 50 money managers, begun in mid-1984.

During her first months as head of the pension fund, Mrs. Hamilton said she discussed issues with Wall Street experts and other pension fund executives.

In doing so, she grew interested in studies done by Barr Rosenberg and Gary Brinson at First Chicago Investment Advisors on the importance of asset allocation for a pension fund, she explained.

"Asset allocation is the key to the job," she said. The First Chicago study indicated that 87% of a fund's performance is due to asset allocation, another 3% is derived from opportunistic timing moves, about 8% is the result of managers' value added and 2% all other factors, she said.

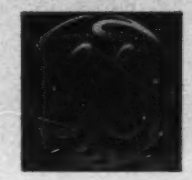
The traditional definition of asset allocation — the mechanical process of changing a position in stocks to one in bonds or some combination thereof — is not the one Mrs. Hamilton is using.

Instead, it is asset allocation in the sense of deciding to which world market asset classes an entire pension fund should be exposed to maximize performance within a desired risk range, she explained.

She called this definition of asset allocation, "a total fund approach."

"The world equity markets outside the United States are a bit

Continued on page 55



Uses zero-coupon bonds

GE dedicates $824 million

By Barry B. Burr

STAMFORD, Conn. — The $11.3 billion General Electric Co. pension plan set up an $824 million dedicated bond portfolio with Treasury-backed zero-coupon securities, yielding an annual rate of return of 13.4%.

As a result, the company cut its pension contribution by $28 million and cut the present value of its liabilities by $580 million.

The dedication was completed just a few months before the Financial Accounting Standards Board, also based in Stamford, released its latest proposal on corporate pension disclosure. Company officials weren't available for comment on a possible connection, if any.

The FASB would require, in part, corporations to place unfunded accrued pension liabilities on their balance sheet.

Many pension plans have set up dedicated or immunized pension portfolios partly to reduce their unfunded liabilities. Some analysts have speculated the decision might have been spurred to avoid reporting the liabilities on their corporate balance sheets, in anticipation of an FASB rule.

The FASB proposal might not affect GE because its pension assets, even before the dedication, exceeded the present value of its liabilities.

GE's dedication appears to be the largest dedication consisting of zero-coupon Treasury securities. Among pension funds, the Arizona State Retirement System holds one of the largest zero-coupon portfolios, totaling $450 million *Pensions & Investment Age*, March 4).

The GE dedication rivals in size other recent dedications, all using more conventional bonds, by American Information Technologies Corp. for $2.4 billion; Chrysler Corp., $1.1 billion; and Bethlehem Steel Corp., $700 million.

GE's yield puts it at about the lower middle range of rates obtained by a wave of dedications in the past year.

Chrysler's and Bethlehem's dedications yield more than 14%; Ameritech's, 11.5%. Among other recent dedications of $100 million or more, those by Allis-Chalmers Corp., American Airlines Inc., and Colt Industries Inc. yield, respectively, 14.66%, 13% and 14.2% (*P&I Age*, Dec. 24.)

GE officials involved with the dedication were unavailable for comment. Bruce A. Bunch, press relations representative, said, "The reason they did it (the dedication) was it looked like a good solid investment."

Interest rates generally have dropped in the past year; but a dedication manager not involved with GE believes the trend in dedications will continue.

"I think you are going to see more, not less," said Joseph E. Gorman, executive vice president of National Investment Services of America Inc., Milwaukee, which manages Ameritech's and other pension dedicated bond portfolios.

"The (interest) rates are no longer the driving force in dedication. Not that people totally ignore rates — but it's no longer the driving force."

Right now, Mr. Gorman guesses a dedicated bond portfolio set up solely with Treasury bonds would yield about 11.5% to 12%.

Dedication, he said, "simply recognizes that

Continued on page 53

Index funds show significant growth

By Trudy Ring

Index funds run by money managers grew to $46.6 billion in 1984, largely because of pension executives' disappointment with traditional active management.

When indexed assets managed in-house by pension funds are added to the amount run by investment firms, the total indexed might range as high as $100 billion, with further growth likely, managers said.

The managers interviewed by *Pensions & Investment Age* said their indexed assets under management grew to about $46.6 billion from $35.7 billion at the end of 1983. In 1980, a similar *P&I Age* survey turned up just $9 billion in indexed assets.

Managers said the popularity of index funds is easy to explain — in recent years it has been difficult for active managers to beat the Standard & Poor's 500 stock index, the basis for many index funds.

The average equity manager returned 1.5% in 1984, while the S&P 500 returned 6.1%. For the past three years, returns were 16.6% for the index, 14.9% for the average equity manager.

Indexing by public pension funds, and the growth of pension assets in general, are other factors contributing to the popularity. Managers said indexing simplifies management of large amounts of money and can relieve political pressures on public fund executives.

What's more, fees for index fund management often are less than half of what is charged for active management, managers said.

"The index fund turns out to be a very superior strategy," said Tom Middleton, a vice president of Wells Fargo Investment Advisors, San Francisco. "I think plan sponsors are looking at the performance numbers on this, and looking at the fees they pay active managers."

Wells Fargo is one of the major providers of index funds. Its indexed assets under management

Continued on page 53

Indexed assets managed

Firm	Year end 1984	Year end 1983
Wells Fargo Investment Advisors	$ 14 (bil.)	$ 11 (bil.)
Bankers Trust Co.	13 (bil.)	12 (bil.)
American Natl. Bank & Trust	5 (bil.)	4.5 (bil.)
Mellon Capital Management Corp.	4.4 (bil.)	800 (mil.)
State Street Bank & Trust Co.	1.6 (bil.)	1.3 (bil.)
Manufacturers National Bank	1.5 (bil.)	1.4 (bil.)
Dimensional Fund Advisors	1.6 (bil.)	810 (mil.)
Wilshire Associates	1.5 (bil.)	1.5 (bil.)
Chase Investors Mgmt. Corp.	1.4 (bil.)	925 (mil.)
Wright Investors Service	945 (mil.)	865 (mil.)
Harris Trust & Savings Bank	600 (mil.)	575 (mil.)
Alliance Capital Management Corp.*	300 (mil.)	0
Prudential Asset Management	197 (mil.)	113 (mil.)
Centerre Trust Co.	143 (mil.)	92 (mil.)
First Chicago Investment Advisors	100 (mil.)	100 (mil.)
Metropolitan Life Insurance Co.	87 (mil.)	42 (mil.)
Great American Core Investors*	85 (mil.)	0
Aetna Life & Casualty Co.	57.7 (mil.)	56.5 (mil.)
First Asset Management	10 (mil.)	na

* Alliance Capital Management Corp. began offering index funds in 1984.
* Great American Core Investors started business in 1984.
na — not available.

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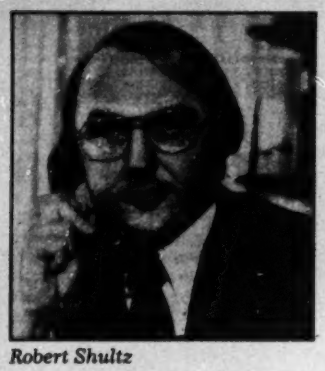

Robert Shultz

Group set to organize

STAMFORD, Conn. — The Pension Group East, an association of corporate pension executives, is pressing ahead with plans for a national federation of similar groups.

David Seidel, assistant treasurer at TexasGulf Inc. and president of the Pension Group East, and Robert E. Shultz, director of U.S. retirement funds for International Business Machines Corp. and past president of the group, have scheduled a meeting in Chicago May 23-24 to discuss such a federation.

Mr. Shultz said the Chicago meeting would be an organizational strategy one in which representatives of groups interested in joining a loose federation could meet to discuss needs and agendas.

He said he hopes pension executive groups from such areas as New York, Dallas, Los Angeles, Detroit, Pittsburgh and Washington would be represented at the meeting. Pension executives from areas that do not have groups but who would be interested in starting regional groups also would be welcome, Mr. Shultz said.

He stressed the federation is not designed to replace any local organizations, and would not become a Washington lobbying group.

The federation also is not designed to replace or duplicate the efforts of such groups as the Association of Private Pension and Welfare Plans or the ERISA Industry Committee.

A possible model for the federation is the National Corporate Cash Management Association, which coexists with local cash management organizations, provides an information exchange network and is drawing up professional standards for corporate cash managers. The NCCMA also gives cash managers a voice on issues affecting them in their jobs.

Pension executives interested in attending the organizational strategy meeting in Chicago should contact Mr. Shultz at (203) 329-4544. ■

Awarded up to $810 million

Detroit, California hire 9 managers

By Steve Hemmerick and Eddy Christman

Two public pension funds have hired a total of nine money managers to handle up to $810 million.

The $13 billion California State Teachers' Retirement System hired its first permanent active equity managers and will distribute among them up to $500 million.

The $2.2 billion Detroit Retirement System assigned $310 million to five new balanced managers for the $1.2 billion general retirement plan.

The California Teachers hired Barrow, Hanley, Mewhinney & Strauss, Dallas; Provident Capital Management, Philadelphia; Trinity Investment Management, Boston; and Wilmington Capital Management, Wilmington, Del., said Marilyn Chapman Woods, assistant chief executive officer.

The Detroit fund hired Oppenheimer Capital Corp., New York, $100 million; The Boston Co. of Southern California, Los Angeles, (a subsidiary of The Boston Co., Boston), $100 million; Harbor Capital Management, Boston, $50 million; Marquette Capital Management, Detroit, $30 million; and Munder Capital Management, Birmingham, Mich., $30 million.

With its hirings, the California Teachers' fund began shifting assets to active external equity management after years of having them managed internally by its sister fund, the California Public Employees Retirement System, and most recently, by temporary outside managers.

The hiring of perhaps eight more equity managers is planned for the months ahead.

The four new managers were picked from among eight finalists in what the retirement system calls the "defensive/yield" approach. Not hired were Cashman, Farrell and Associates, Wayne, Pa.; Delaware Investment Advisers, Philadelphia; First Pacific Advisors, Los Angeles; and United Capital Management, Denver.

Those selected were chosen on the basis of past performance, style and interaction with in-house investment staff and trustees, said Ms. Chapman Woods. She added all finalists were highly regarded by the nine members of the retirement board.

The selection process began last October, and involved extensive screening and evaluation of 35 investment managers.

It followed the hiring of seven outside bond managers, and the hiring of Wells Fargo Investment Advisors, San Francisco, as manager of a $1 billion index fund that tracks the Standard & Poor's 500 index and a $300 million extended index fund that includes stocks outside the S&P 500.

Staffs for the California fund and its consultant, Wilshire Associates, Santa Monica, have begun work on picking a new slate of managers that invest primarily in growth stocks.

The new defensive/yield managers are expected to place emphasis on selecting stocks that are relatively unaffected by the ups and downs of the business cycle, and stocks offering high and steady yields.

In the growth sector, the retirement system will be looking for managers that pick stocks that have increased per-share earnings in the past at well above the rate for common stocks generally. According to sources, the retirement system needs to take some additional risks because of its already high unfunded liability of about $10.8 billion.

Not known is how many growth stock managers the system will choose or how much it will give those managers of its current $2.9 billion in equity assets. However, the system has a general target of increasing its equity allocation to $5.2 billion, or about 40% of assets.

In the future, the system will hire aggressive specialty equity managers, sector rotation managers and broadly diversified managers.

Now, equity investments not in index funds are with Alliance Capital Management, San Francisco, and Trust Company of the West, Los Angeles. They were hired as temporary managers, but could become permanent as the selection of equity managers continues.

Continued on page 53

Most funds miss a third of ABC pie

By Trudy Ring

Institutional shareholders missed a third of the action in the Capital Cities Communications Inc. takeover of American Broadcasting Companies Inc.

While pension funds and their money managers held significant positions in the two major partners in the deal, most had no holdings of the third participant — Berkshire Hathaway Inc., which will own 18% of Capital Cities after the takeover — despite the extraordinary reputation for investment sagacity of its chairman, Warren Buffett.

Mr. Buffett will become a director of Capital Cities/ABC after the takeover.

Cap Cities and ABC both are heavily owned by institutions. According to CDA Investment Technologies Inc.'s Spectrum, a survey of institutional stock holdings, 73.8% of Capital Cities' shares and 63.1% of ABC's shares were held by institutions as of Dec. 31.

However, only 4.1% of stock in Berkshire Hathaway, a textile firm based in Omaha, Neb., was institutionally held on Dec. 31, according to CDA.

One analyst said institutions missed the boat on the Berkshire Hathaway end of the deal because many of the shares are held by Mr. Buffett, the stock is not heavily traded and the institutions that do hold it tend not to sell it.

It can be difficult for an interested institution to gain access to sufficient shares to cover all of its portfolios, observers noted.

Among the lucky few holding Berkshire Hathaway — whose price surged to $1,770 (bid) from $1,490 (bid) in the week after the takeover was announced — were BEA Associates, 2,077 shares; Chemical Bank, 2,163 shares; First Manhattan Co., 5,478 shares; Harris Associates Inc., 5,662 shares; Illinois National Bank and Trust, 1,000 shares; J.P. Morgan & Co., 5,000 shares; Norwest Capital Management, 5,503 shares; Omaha National Bank, 2,670 shares; and Wachovia Corp., 5,548 shares.

Of the 30 institutions owning Berkshire Hathaway, 14 also owned shares in Cap Cities and ABC, hitting a triple play on the deal. A total of 177 institutions own ABC and 152 own Capital Cities.

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Late news

Continued from page 1

termination because the firm had tried to carve out its active employees from the plan. In addition, the PBGC said Interco had refused to vest and buy annuities for employees.

GIC secondary market

NEW YORK — Morgan Stanley made its first transaction for a new type of security, which creates a secondary market for guaranteed investment contracts.

Called Funding Agreement Collateralized Trust Security, the new vehicle is a series of certificates backed by a single GIC and sold in the private placement market.

The GIC's interest rate, payment schedule and maturity, remain intact, but are passed on to FACTS holders.

Analytic purchased

IRVINE, Calif. — Analytic Investment Management Inc. has agreed to be purchased by United Asset Management Corp., the Boston-based holding company for an undisclosed price. The firm, which runs more than $800 million in options accounts, will be the seventh investment firm to join UAM.

Chicago office closing

CHICAGO — Lincoln National Investment Management Co. will close its Chicago office April 12, transferring the management activities to its Fort Wayne, Ind., office, and to MPT Associates Inc., New York. The firm's parent company, Lincoln National Corp., Fort Wayne, recently acquired MPT. Lincoln National Investment runs about $2 billion, MPT, about $1 billion.

Application retracted

WASHINGTON — The International Ladies Garment Workers' Union $500 million pension fund temporarily retracted its application to use special withdrawal liability rules, pending clarification of what poses a risk to the PBGC.

New firm formed

BETHESDA, Md. — Hugo Schielke, former investment director of the World Bank's $15 billion portfolio, has opened American & European Investment Corp., a fixed-income, multicurrency money management and financial consulting firm.

Money movers

• WINSTON-SALEM, N.C. — R.J. Reynolds Industries Inc. is managing up to 10% of its $1.2 billion in pension assets in-house in a pilot equities program, said Gene Hoots, president of newly formed RJR Investment Management Inc. A small, internal bond index fund also was started.

• CHARLOTTE, N.C. — The $445 million Duke Power Co. pension fund committed $30 million to four equity real estate managers. LaSalle Advisors Inc., Chicago, received $10 million for a closed-end fund. New open-end fund managers are Security Capital Real Estate Corp., New York, $10 million; Copley Real Estate Advisors, Boston, $5 million; and NCNB National Bank, Charlotte, N.C., $5 million.

• WASHINGTON — The Pension Benefit Guaranty Corp. has hired M.J. Whitman & Co. as a special situation manager for $10 million to $20 million in assets.

• HOUSTON — The Houston Post Co. has hired First Kentucky Co., Louisville, Ky., to manage its approximately $11 million in pension fund assets.

• BETHPAGE, N.Y. — The $1.3 billion Grumman Corp. pension fund committed $10 million to a closed-end real estate fund managed by CIGNA Capital Advisers Inc., Hartford, Conn.

• NEW YORK — Two subsidiaries of UIS Inc. — Champion Laboratories and Luber-finer Inc. — hired Merrill Lynch Asset Management Inc. as an equity manager. Manufacturers Hanover was dropped.

• MEMPHIS, Tenn. — The $83 million Federal Express Corp. pension fund has committed $2 million to a participating mortgage fund run by Lomas & Nettleton Advisory Group Inc., Dallas.

• DALLAS — Aviall Inc. has selected Towers Perrin Forster & Crosby, New York, to administer its new 401(k) plan. RepublicBank Dallas is trustee.

• ANCHORAGE, Alaska — The Alaskan Federal Credit Union has given Merrill Lynch Asset Management a $2.5 million account for fixed-income management.

Union Funds

8 make $230 million in loans

Foundations mix investments, jobs

By Mark Westerbeck

NEW YORK — Slowly and with no small amount of grief, more pension funds serving unions are banding together to fund construction projects and foster the creation of jobs in their regions.

At least $230 million in construction loans have been made since 1980 by eight foundations formed to bring together and invest union pension-fund dollars. That estimate, from a survey by the industrial union department of the AFL-CIO, is a drop in a bucket that holds $72 billion of union-related pension assets.

A ninth foundation formed last year for Cincinnati-area union funds had not made an investment at the time of the survey.

Two others were pending, waiting regulatory approvals from the Department of Labor. One of those, the Northwest Ohio Building and Construction Industry Foundation for the Toledo area (*Pensions & Investment Age*, May 14), got its prohibited transaction exemption in mid-March, said Toledo attorney Marc Gertner, who helped the unions form the foundation.

The newest — the Baton Rouge Building and Construction Industry Foundation — formed after the local carpenters and electrical workers approached Mr. Gertner; another eight or nine locals could join.

The AFL-CIO survey excluded a third, similar unit Mr. Gertner helped form — the Upper Ohio Valley Building and Construction Trades Council for the Wheeling, W. Va., area — because it is not a transaction trust like the other 11. Mr. Gertner said the Upper Ohio Council is slow getting started — a common complaint of the organizers — but is in the process of putting out money.

"We're in the crawling mode before we've started walking yet," he commented on the nature of foundations.

The oldest and most active is the Development Foundation of Southern California, which has invested $125 million, according to the AFL-CIO. The other seven that have put out money have done so only in a range from $8 million to $30 million. Those dollars do churn at an inordinate rate for real estate investments, since they are most often in the form of 12- to 18-month construction loans.

One of the consortiums included in the AFL-CIO survey illustrates the difficulty of launching one. The survey said the

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Unions helped finance this Hilton hotel in West Palm Beach, Fla.

Unions seek pension voice

By Trudy Ring

Labor unions might bargain increasingly in the next few years for a say in how their companies' pension assets are invested.

"It's a major area where there is a need for collective bargaining," said Randy Barber, director of the Center for Economic Organizing, Washington. Mr. Barber and his organization consult with unions on numerous financial issues, including pension funds.

Although most unions have no voice in how single-employer corporate pension funds are invested, a few, such as the United Auto Workers and International Association of Machinists, have gained some control.

Others are considering becoming more active in this area, and the AFL-CIO is encouraging them.

"It's workers' money," said Lawrence Smedley, associate director of the AFL-CIO's department of health, occupational safety and Social Security.

In the past, many union leaders considered pension investments a management preserve, Mr. Smedley said. They thought that becoming involved with investments was somehow in conflict with their position as union officials, he said.

This attitude has changed because of pension funds' growth and importance to the economy, he said.

Also, he said, unions sometimes see companies and their money managers investing pension assets in ways contrary to workers' interests.

Mr. Smedley cited a case of several years ago in which a bank managing assets for Bethlehem Steel Co.'s pension fund invested in another company's steel mill in Japan, he said. He also noted cases of union workers' pension funds making investments in real estate developments that used non-union labor.

Some unions also have negotiated seats on pension boards to have a say in investments. Unions have joint

Continued on page 36

Managers step up bids for union fund assets

By Fred Williams

As the growth in corporate pension plan assets has slowed and the number of investment counseling firms has increased, money managers are intensifying their efforts to capture a piece of the union pension-fund market.

In addition, union funds plans now are better managed. Their executives have gained in knowledge and sophistication and have come to expect more from their investment managers, say consultants and investment managers.

"There is no question that there has been an increased level of interest (in union plans) by a broad range of investment managers," said Randy Barber, director of the Center for Economic Organizing, a union consulting organization in Washington. "Whether that interest is because of a decrease in contributions to corporate funds, I don't know. But a good number of investment managers are increasing their emphasis on bringing in Taft-Hartley accounts."

But Eugene Burroughs, director of the investment department for the International Brotherhood of Teamsters in Washington, said the increased emphasis may be due to the proliferation of managers.

"They are all trying to court everything. I get a lot more calls today than I used to (from money managers). In general, there has been a shrinking pie because of all the reversions (of excess assets through plan terminations) and dedications (of bond portfolios)," Mr. Burroughs said.

Victor Rosasco, a specialist in union plans and head of the investment consulting division of Prudential-Bache Securities, Palo Alto, Calif., said he has not seen "substantial evidence" that money managers are beginning a wholesale shift toward union funds.

"There has been a lot of talk about it, and there are some managers saying they intend to go after the labor and public fund market, and I suspect that it is the coming thing. A lot of managers are contacting me and asking about who and how do you do it, so the interest is there," he said.

Mr. Rosasco said the small- and medium-sized money manager may have difficulty getting a proper feel for the union pension fund market.

"High fee schedules have always been a turnoff for public and union funds, and a lot of these small- and medium-sized managers have only dealt with the corporate market, where there never was any real discussion of fees. Now they will be faced with detailed fee discussions. .... Unions won't stand for it. They will find unions wanting to negotiate, and they aren't used to that. Negotiations are a way of life for unions," he said.

Louis Kingsland, senior vice president at Callan Associates Inc., New York, said money managers feel more comfortable today approaching the union pension fund market.

He said the slowdown in corporate pension growth has been a factor in a growing interest by money managers in union pension assets, "but it is hard to say to what extent."

"I feel there is more opportunity in the Taft-Hartley market than in the corporate market than in the past. The relative cash flow is more prominent in the Taft-Hartley area, and the comfort level of managers is better now. More and more, money managers feel more comfortable approaching that market. In the past, they didn't know the language and the basics of union plans. Now they are taking the time to learn the market. In the past, the corporate market was eas-

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Managers . . .

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ier to target.

"There has also been substantial improvement in the Taft-Hartley area," said Mr. Kingsland. "They are getting better information and they understand the investment process better than they did eight to 10 years ago. They are coming along very fast."

Jack Marco, union fund consultant for SEI Funds Evaluation Services, Chicago, said he also has detected an increased level of interest.

However, the growth of pension assets is slowing in that market as well, he said.

"There is not as much money to be chased. There is a diminishing pool there, too," he said.

He said some money managers now are training internal union fund experts and "instead of the analyst type, they now have more personable and communicative representatives who can speak English to them."

"When they come to me and ask about the Taft-Hartley market, I tell them to get a specialist with the ability to work with them or don't bother because they are only asking for trouble. There are some good money managers out there who can't communicate with the Taft-Hartley people. It is a different lifestyle and a different ideology, and some money managers don't know how to react to them," said Mr. Marco.

Thomas J. Mackell Jr., senior vice president of M.D. Sass Investors Services Inc., New York, which manages $800 million in Taft-Hartley assets, has seen the Taft-Hartley picture from both sides, as the administrator of the Marine Engineers Beneficial Association in New York for 14 years and as a professional investment manager.

Mr. Mackell said money managers' interest in running union portfolios is increasing, but he doesn't know why.

He agreed that the approach must be flexible.

"The labor people on these boards recognize their responsibilities, but some of them haven't had the luxury of going to the Wharton School of Business, so some of these Greek terms like 'alpha' and 'betas' are unfamiliar to some of them," Mr. Mackell said.

He agreed the argument that unions and Taft-Hartley fund executives are more political and depend more on negotiations is true but not germane.

Harry Simanek, vice president and director of the jointly trusteed division of The Boston Co., Boston, described the developing interest of investment advisors in union pension funds as "an invasion."

"With these corporate funds . . . some are completely wiping out their former investment approach and killing off some of the business. And there are so many more managers out there, and all of a sudden they are chasing a shrinking pie . . . Where do they go? They are looking at a very attractive pool of assets in the Taft-Hartley area," said Mr. Simanek.

While the large mutual insurance companies manage the largest segments of union assets, several investment advisers have made strong inroads in the market.

They include: Rothschild Asset Management Inc., New York; M.D. Sass Investors Services Inc.; Kennedy Associates Inc., Seattle; Shields Asset Management Inc., White Plains, N.Y.; McMorgan & Co., San Francisco; and Lehman Management Co. Inc., New York.

Duff Kennedy, president of Kennedy Associates, which has $3.1 billion in Taft-Hartley assets under management, said there has been a slowing of multiemployer fund assets corresponding to the slowing in corporate fund asset growth.

Money managers "would like to get into that market, but they will be hurting," Mr. Kennedy said, because of the competition and slow growth in fund assets, coupled with the relatively lackluster investment performance most managers experienced during the past few years.

Jon Fossel, vice president at Alliance Capital Management Corp., New York, which has a modest $500 million in union pension assets under management, said activity by investment advisers has increased.

"Unions, and public funds, too, are getting more sophisticated and are hiring more active managers, more equity-oriented managers, and they are more fee oriented. We are seeing a lot more solicitations or interest on the part of public and union funds than we used to . . . and we haven't done anything different," said Mr. Fossel.

Susan Thomas, vice president of Merchants Investment Counseling Inc., Indianapolis, said her firm, which has only one major union account, has been placing a stronger emphasis on that area.

Still, word-of-mouth referrals are most effective, according to Ms. Thomas.

"Cold calling doesn't work with the Taft-Hartley group," Ms. Thomas said.

Gerald Facciani, president of Facciani & Co., a Cleveland pension consulting firm, said union pension funds are declining in strength and in assets along with the single-employer plans. Mr. Facciani said investment managers are trying to pry Taft-Hartley assets from the large insurance companies, traditional havens for these assets.

"What we have seen very clearly is an assault on insurance company-managed union plans. The investment managers come in and point out that these funds have been netting lower returns, sometimes in the 75th percentile of all money funds, and they get a sympathetic ear from the union guys," said Mr. Facciani. ■

Union pension funds among the nation's Top 1,000

Union	$ millions
Teamsters, Central States, Chicago	5,169
Teamsters, Western Conference, Seattle	5,129
United Mine Workers of America, Washington	2,784
Boilermakers, Blacksmiths, Kansas City, Kan.	1,420
Hospital & Health Care Employees, New York	1,037
Operating Engineers, International, Washington	1,037
Bakery and Confectionary Union & Industry, Kensington, Md.	1,010
Marine Engineers Benefit Association, Baltimore	840
I.A.M. National Pension Fund, Washington	800
Garment Workers, Ladies, New York	689
Carpenters, Southern California District Council, Los Angeles	681
S. Calif. Food & Commercial Workers Joint Trust Funds, Cypress	661
United Food & Commercial Workers International, Chicago	641
Operating Engineers, S. Calif. Benefits Administration, Pasadena	570
Operating Engineers, Local 3, San Francisco	561
Sheet Metal Workers, National Headquarters, Washington	527
Carpenters, Northern California District Council, San Francisco	521
Operating Engineers, Locals 302 and 612, Seattle	517
Electricians, Employees Security Fund, Flushing, N.Y.	500
Texas Laborers, Dallas	412
Clothing & Textile Workers, New York	410
Motion Picture Industry Pension Plan, Studio City, Calif.	400
Teamster and Teamsters Industry of New England, Boston	393
IBEW, Washington	380
International Brotherhood of Teamsters, Washington	356
Teamsters, Local 710, Chicago	344
Food & Commercial Workers, National, Washington	340
Masters, Mates & Pilots, New York	340
Carpenters, District Council, New York City	337
Central Pennsylvania Teamsters, Reading	335
Southern California Pipe Trades Retirement Trust Fund	330
Graphic Arts International, Washington	327
Painters & Allied Trades, Washington	324
Carpenters, Locals 971 and 1819, Reno, Nev.	315
Chicago Federation of Labor & Industrial Union Council	311
Operating Engineers, Local 150, Countryside, Ill.	302
Electrical Workers, IBEW Local 11, Los Angeles	300
Longshoremen, New York Shipping Association, New York	298
National Maritime Union, New York	294
Teamsters, Local 959 of Alaska, Anchorage	292
Plumbers, Local 30, Southern California, Los Angeles	291
Teamsters, Local 705, Chicago	291
Longshoremen, ILWU-PMA Pension Plan, San Francisco	287
American Federation of Musicians & Employers Fund, New York	284
S. Calif. Laborers, Contracting Plasterers Association, Los Angeles	281
Carpenters, District Council of Cleveland	279
Screen Actors Guild-Producers, North Hollywood, Calif.	277
Western Pennsylvania Teamsters, Pittsburgh	270
Typographical Union Headquarters, Colorado Springs, Colo.	268
Service Employees, Local 32B, New York	266
Construction & General Laborers, Forest Park, Ill.	264
United Cement Workers, Elk Grove Village, Ill.	260
Carpenters, District Council, Chicago	248
Lumber & Sawmillworkers, Western Council, Portland, Ore.	248
Operating Engineers, Local 18, Columbus, Ohio	246
Building Trades United Pension Trust Fund, Milwaukee	242
California Iron Workers, Oakland	239
New York State Teamsters Conference, Utica	238
Seafarers, Great Lakes Tug & Dredge, Camp Springs, Md.	237
Laborers, National Headquarters, Washington	233
American Federation of Television and Radio Artists, New York	232
Carpenters, Central & Western Indiana, Indianapolis	232
Food & Commercial Workers, California Butchers, Oakland	230
Auto Workers District 65, New York	225
Operating Engineers, Local 324, Birmingham, Mich.	222
Typographical Union, Chicago	218
Food & Commercial Workers, Local 455, Atlanta	211

Union	$ millions
STA-ILA Pension Fund, Baltimore	203
Longshoremen, ILA & Maritime Association, Houston	200
UFCW Midwest Pension Funds, Chicago	199
Printing Pressmen, Graphic Communications, Los Angeles	197
UFCW Locals 137, 421, 439, 551, 899, 587 and 229, Los Angeles	189
Steelworkers, National Headquarters, Pittsburgh	187
Carpenters, Detroit & Vicinity, Southfield, Mich.	186
Plumbers, Local 597, Chicago	184
Textile Workers, New York	184
Sheet Metal Workers, Local 108, Los Angeles	180
Operating Engineers, International Union, Washington	178
Upholsterers International Union, Philadelphia	176
Laborers, Ohio District Council, Columbus	176
Food & Commercial Workers, Local 876, Madison Heights, Mich.	175
Massachusetts State Carpenters, Burlington	173
Machinists District Lodge 9, Bridgeton, Mo.	164
Pacific Maritime Association, San Francisco	163
Carpenters, Western Washington Locals, Seattle	161
Electrical Workers, Local 134 and Electrical Contractors, Chicago	160
National Auto Workers, Detroit	153
Laborers, Massachusetts State Locals, Newton	152
Carpenters, Locals of Illinois Pension Fund, Geneva	150
Graphic Arts Union, Local 245, Chicago	149
Laborers, Alaska Locals 341, 942 and 1331, Seattle	144
Iron Workers, Ohio & Vicinity District Council, Charleston W. Va.	143
Electrical Workers, IBEW Local 1547, Anchorage, Alaska	142
Bricklayers, International Union, Washington	142
Iron Workers, Texas Locals, Houston	140
Mid-Jersey Trucking Industry, Local 701, New Brunswick, N.J.	140
Carpenters, District Council, Philadelphia	140
Northern California Sheet Metal Workers Union, Dublin	138
Food & Commercial Workers, Local 27, Baltimore	136
Retail Clerks, Unions & Employers, Atlanta	133
Producer-Writers Guild of America, Los Angeles	133
Marine Engineers, Beneficial Association 2, Brooklyn, N.Y.	132
Automobile Mechanics' Union Local 701, Chicago	132
Food & Commercial Workers, Local 174, New York	132
Carpenters, Western Pennsylvania District Council, Pittsburgh	130
Northern California Laborers, San Francisco	128
Iron Workers, Northern New Jersey District Council, Newark	126
Laborers, Locals 472 and 172, Newark, N.J.	125
Operating Engineers, Local 825, Newark, N.J.	123
Laborers, Western Pennsylvania District Council, Pittsburgh	123
Southern California Plasterers, Los Angeles	122
Longshoremen, New Orleans Steamship Association, New Orleans	120
Molders, Allied Workers, Cincinnati	120
Screen Extras, Actors Equity Association, New York	114
Iron Workers, Local 25, Detroit	114
Laborers, Local 395, Phoenix, Ariz.	111
Retail Clerks, Local 1105, Seattle	107
Automotive Machinists, Local 289, Seattle	107
Machinists, District Lodge 67, Washington	107
Iron Workers, Locals 14, 29, 86, 598, 114 and 505, Seattle	106
Teamsters Joint Council 83 of Virginia, Richmond	105
IUE AFL-CIO, Bloomfield, N.J.	105
Carpenters, Local 1310, St. Louis	102
Operating Engineers, Local 542, Norristown, Pa.	101
Operating Engineers, Local 15, New York	100
Food & Commercial Workers, S. Calif. Locals, Los Angeles	99
Iron Workers, Locals 40, 361 and 417, New York	99
Laborers, District Council, Mason Tenders of Greater New York	98
Plumbers, Local 638, New York	98
Suburban Teamsters of Northern Illinois, West Chicago, Ill.	97
Teamsters, Local 282, Elmont, N.Y.	97
Laborers, Local 253, Jacksonville, Ill.	96
Southern California Retail Clerks, Los Angeles	96
TOTAL	48,197